Role of Islamic banks in economic development

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A Working paper exploring the meaning of Development in Islamic perspective and suggestions regarding possible utilization of Islamic banking for development of Pakistan.

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This research work is attributed to Shahid Saleem of Hailey College of Banking and Finance, 5th Constituent College of University of Punjab, Pakistan. The university has been oldest university; established under British rule in India, & has earned 2 Nobel laureates till date. Also, studying in Managerial level with Chartered Institute of Management Accountants of England & Wales (CIMA), London, founder of IMA (USA), ICWAI (India) & a leader of Management & cost accounting in the world.

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Role of Islamic Banks in Economic Development

Once during a press conference in Malaysia, I was asked the question about contribution of Islamic banks in promoting Islamic economy….. I said, they have contributed a lot and they have contributed nothing......"

(Justice Mufti M. T. Usmani)

Abstract:

The purpose of this working paper is to give the real meaning of DEVELOPMENT from Islamic perspective. Most of Muslim countries are LDCs and using the religious and social ideology of Islam is very useful to establish institutions and to bring moral and ethical change for development in these countries. Islam appears to be the only dynamic religion and tells us about prevention of interest, similar to Christian and Jewish theologies. But at the same time gives a comprehensive setoff trade and financing modes, not easily and completely described in any other religion or social order. Even TFP, a modern concept for collective efficiency has been advised in Islam, shunning to self interest and individualism of materialistic economics. Some scholars of WEST consider use of Islamic banking more suitable for economic development, while others consider

Islam as obstacle & threat to development of Muslim countries. We hope that the paper will be useful in this regard to provide another valuable theoretical dimension to this field of study………

This paper has 2 major parts:

1. **Islamic and economic development.**
2. **Use of Islamic banking and finance for economic development of Pakistan.**

1.0 Islam & Economic Development

What is economic development of a nation today? As, western economies are controlling not just political, economic[2] and social fields but also financial and economic theories are controlled and developed by them, criteria for DEVELOPMENT for DEVELOPING countries are set by them as well. Economists today argue that "development is about outcomes, that is, development occurs with the reduction and elimination of poverty, inequality, and unemployment within a growing economy" (Dudley Seers: 1969), seeing three objectives of development:

i. Producing more 'life sustaining' necessities such as food, shelter, and

[2] The 57 Organization of Islamic Conference (OIC) countries have a combined GDP (at PPP) of 7,740 billion USD while GDP of U.S.A. alone is 12310 billion USD. These figures are derived from CIA world Factbook.

health care and broadening their distribution

ii. Raising standards of living and individual self esteem

iii. Expanding economic and social choice and reducing fear. (Todaro & Smith)

The UNO itself has developed a widely accepted set of indices to measure development against a mix of composite indicators:

i. UN's Human Development Index (HDI) measures a country's average achievements in three basic dimensions of human development: life expectancy, educational attainment, and adjusted real income ($PPP per person). The index was developed in 1990 by Indian Nobel prize winner Amartya Sen, Pakistani economist Mahbub ul Haq, with help from Gustav Ranis of Yale University and Lord Meghnad Desai of the London School of Economics and has been used since then by the United Nations Development Programme in its annual Human Development Report.

ii. UN's Human Poverty Index (HPI) measures deprivation using the percent of people expected to die before age 40, the percent of illiterate adults, the percent

of people without access to health services and safe water and the percent of underweight children under five.

Islamic economics is considered in most of today western world as a part of the Islamic fundamentalist movement gaining ground in large parts of the Muslim world[3] (Kjetil Bjorvatn: 1998). Various shades of fundamentalism have always existed in Islam. But the attention around Islamic fundamentalism, as well as the number of supporters, received a great boost after the Arab nations' defeat against Israel in the Six-Day War of 1967. Many Muslims felt that this humiliating defeat was caused by the Arabs turning away from God and embracing foreign ideologies such as communism or capitalism ideologies which are viewed as inherently opposed to Islam and therefore unable to solve the problems of the Muslim world. The fundamentalists call for a return to Islamic law, the

[3] Reproduced from *Islamic Economics and Economic Development* by Kjetil Bjorvatn-"Islamic economics is part of the Islamic fundamentalist movement gaining ground in large parts of the Muslim world. Various shades of fundamentalism have always existed in Islam. But the attention around Islamic fundamentalism, as well as the number of supporters, received a great boost after the Arab nations' defeat against Israel in the Six-Day War of 1967. Many Muslims felt that this humiliating defeat was caused by the Arabs turning away from God and embracing foreign ideologies such as communism or capitalism ideologies, which are viewed as inherently opposed to Islam and therefore unable to solve the problems of the Muslim world. The fundamentalists call for a return to Islamic law, the Shari'a, which is believed to offer solutions to economic and social problems of all times and all places."

Sharia, which is believed to offer solutions to economic and social problems of all times and all places. This message naturally has great appeal in many Muslim countries, due to widespread poverty, inequality and unemployment. Islamic scholars point to the military and economic success of early Islamic society to prove that adherence to Islam may bring about great material achievements. Islam is not the only religion with a fundamentalist economic agenda. Indeed, there are striking similarities between the economic analysis of fundamentalist movements in Christianity, Buddhism and Hinduism (Marty & Appleby: 1993).

It is often argued by some Western scholars (Volker Nienhaus: 2006), that the Islamic worldview supports a mentality and value system which attributes little importance to individual performance and responsibility, effectiveness and efficiency or material wellbeing. Muslims are more concerned with the life in the hereafter[4]. They belief in a kind of predetermination, and all these components lead, in total, to a fatalistic attitude which seriously obstructs economic development. They call Islamic economics as a

[4] See: *Islamic Economic System – A Threat to Development*? By Volker Nienhaus, It is often argued that the Islamic worldview supports a mentality and value system which attributes little importance to individual performance and responsibility, effectiveness and efficiency or material wellbeing. Muslims are more concerned with the life in the hereafter. They belief in a kind of predetermination, and all these components lead, in total, to a fatalistic attitude which seriously obstructs economic development.

system close to social market economic system. Some others call it as a form of Universal banking system of SWISS-GERMAN model (Iqbal & Ahmad) allowed to hold equity and also to carry out operations such as trading and insurance, which usually lie beyond the sphere of commercial banking. Universal banks are better equipped to deal with information asymmetry than their commercial counterparts.

But all of the world economists admit Islam as first social order who made quest of knowledge compulsory for its disciples, both men and women (Hasan. Zubair: 1995), a prerequisite of economic growth and development. They also say that Islamic economic teachings imply or plead for a set of institutions (private property, enterprises, capital markets, anonymous markets, labor laws, competition, etc.) deemed crucial for the rapid economic development which took place in the West since the 18th century (Volker Nienhaus: 2006). Most amazing is the fact that TFP (Total Factor Productivity i.e., output per units of all inputs) has been described in Islam as a key to economic growth[5] through participation not competition among individuals, negating self interest approach of Adam Smith.

[5] This brilliant idea I found in *Economic Development in Islamic Perspective: Concept, Objectives, and Some Issues* by Zubair Hasan ,International Islamic University of Malaysia, 1995.

1.1: My Purposal: I-Development Model

Islam favors the production through participation, increased consumption rather much lavish spending or collecting money (or near money) by affluent for savings/investment. In this way, Islam tells the way towards improvement of spending thus raising level of living of poor and middle class people. But how? More consumption by rich and affluent people in particular and nation as general results in multiplier effect, boosting economic growth, raising income of poor bringing tem above absolute poverty level, and more income will be at their disposal towards better education, nutritious food, healthy life and medicine, resulting in improved productivity of labor resource, abundant in LDCs.

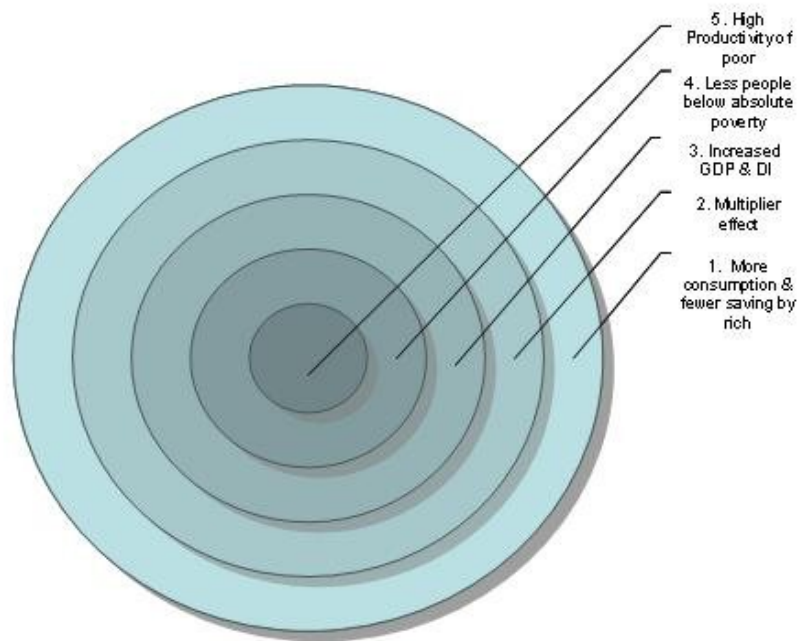
It consists of following chain like effect:

Step 1: More consumption by rich, although income is same or increasing (in times of boom or recovery) but Propensity to consume increases much faster; off course at cost of some savings. While rich people MPS (marginal propensity to save has to be decreased).

Step 2: As a result of increased consumption in economy, multiplier effect (a simple concept of economics) starts.

Step 3: GDP of economy increases much more than initial increase in consumption expenditure.

Step 4: GDP expansion enables more goods and services available through production or processing for economy or for export markets, causing an improved lifestyle of people.

Step 5: due to increased GDP and thus DI, people income increases, so that they have more food, better education and living, ultimately producing to full potential, boosting long term output as well.

2.0: Why use of Islamic banking & Finance for Economic development of Pakistan?

Interest is prohibited in Islamic economics and is accepted today as cause of following evils to society:

1. Evil Effects on Allocation of Resources
2. Evil Effects on Production
3. Evil Effects on Distribution
4. Expansion of Artificial Money and Inflation[6]

Dr. M, Umar Chapra (Senior Economic Advisor to Saudi Arabian Monetary Agency) who appeared in this case as a juris-consult has summarized the effects of this practice in the following words:

[6] This page and half of next one of this paper, showing general evils of interest is reproduced with some changes from Sharia rulings on webpage: http://www.islamic-banking.com/aom/shariah/mt_usmani.php actually The Text of the Historic Judgment on Interest Given by the Supreme Court of Pakistan.

"Credit, therefore, tends to go to those who, according to Lester Thurow[7]*, are 'lucky rather than smart or meritocratic. The banking system thus tends to reinforce the unequal distribution of capital. Even Morgan Guarantee Trust Company, sixth largest bank in the U.S. has admitted that the banking system has failed to 'finance either maturing smaller companies or venture capitalist' and 'though awash with funds, is not encouraged to deliver competitively priced funding to any but the largest, most cash-rich companies. Hence, while deposits come from a broader cross-section of the population, their benefit goes mainly to the rich."*

The veracity of this statement can be confirmed by the fact that according to the statistics issued by the State Bank of Pakistan in September 1999, 9269 account holders out of 2,184,417 (only 0.4243% of total account holders) have utilized Rs.438.67 billion which is 64.5% of total advances as of end December 1998.

Since in an interest-based system funds are provided on the basis of strong collateral and the end-use of the funds does not constitute the main criterion for financing, it encourages people to live beyond their means. The rich people do not borrow for productive projects only, but also for conspicuous consumption. Similarly, governments borrow money not

[7] Credit, therefore, tends to go to those who, according to Lester Thurow in his book the Sero-Sum Society are lucky rather than smart or meritocratic.

only for genuine development programs, but also for their lavish expenditure and for projects motivated by their political ambitions rather than being based on sound economic assessment. Non-project-related borrowings, which were possible only in an interest-based system, have thus helped in nothing but increasing the size of our debts to a horrible extent. According to the budget of 1998/99 in our country (Pakistan) 46 percent of the total government spending is devoted to debt-servicing, while only 18% was allocated for development which includes education, health and infrastructure.

Moreover, the baseless money created by the banks[8] (through credit creation process of commercial banking) and financial institutions itself has now become the subject of speculative trade through the derivatives in the form of Futures and Options in the international markets, creating huge economic bubble up conditions and causes for economic depression . This big balloon is vulnerable to the market shocks and can be burst any time. It really did several times in the recent past whereby the Asian Tigers reached the brink of total collapse, and the effects of these shocks were felt in the whole

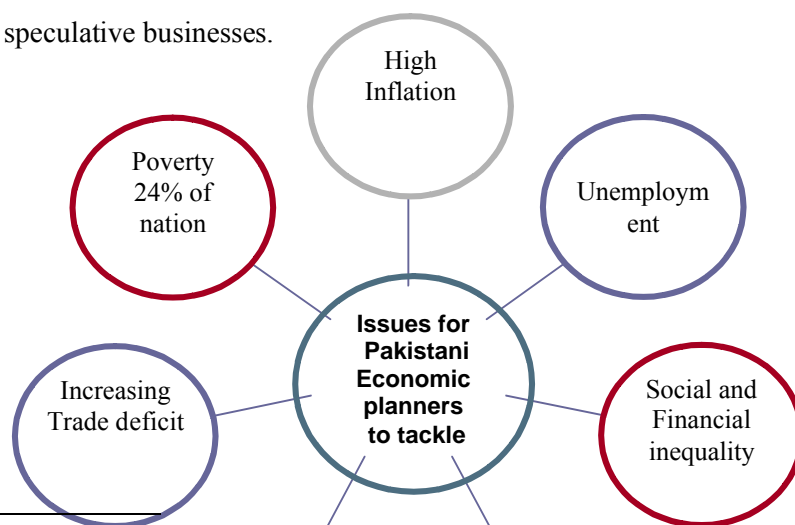
[8] James Robertson, who in his excellent work 'Transforming Economic Life: A Millennial Challenge" has commented on this aspect as follows: "The money-must-grow imperative is ecologically destructive... (It) also results in a massive world-wide diversion of effort away from providing useful goods and services, into making money out of money. At least 954b of the billions of dollars transferred daily around the world are of purely financial transactions, unlinked to transactions in the real economy.

world to the extent that the media started crying that the market economy is breathing its last.

2.1 Brief Summary of Suggestions to above-mentioned Problems[9]

1. To reduce poverty by SME financing, rural and agricultural operational expansion and introducing corporate and individual ZAKAT accounts for social welfare and less social inequality.
2. To reduce unemployment by providing SME sector loans, provide QARD E HASSAN schemes but taking into consideration all security factors.
3. Providing Islamic financing facilities including loans to businesses ethical, moral and beneficial to society causing speculative businesses to starve from financial point of view.
4. Collection of savings and remittances using Islamic modes of finance and channeling them to profitable and secure businesses, helping in resource allocation of country.

[9] These suggestions I have developed after reading a number of books, journal articles, working papers and searching internet, I believe (although the imagination is still abstract) that these suggestions or my dream will be soon be supported by practical realities in near future.

5. Introducing the universal banking concept (which is close to Islamic financial system)[10] in Pakistan, reducing the commercial banking system, which gives loans to those who have securities at disposal and better credit rating.
6. To reduce the rocketing inflation through less artificial money creation and less funding of speculative businesses.

[10] See: chapter 1 of *Introduction of Islamic Finance and Economic Development* written by Munawar Iqbal and Ausaf Ahmad: "Islamic banking is another way of performing financial intermediation. It is closer to the Swiss–German universal banking model than the Anglo-Saxon commercial banking model. On the liabilities side, it mobilizes funds on the basis of mudarabah (profit-sharing) or wakalah (as an agent charging a fixed fee for managing funds). On the assets side, it makes finance available on a profit & loss sharing basis or through the purchase of goods (in cash) and their sale (on credit) or other trading, leasing and manufacturing activities. It plays the role of an investment manager for the owners of deposits, except demand deposits which are treated as interest-free loans from the clients to the bank and are guaranteed to be repaid in full. Such deposits share in neither risk nor reward. Equity holding as well as commodity and asset trading constitute an integral part of Islamic banking operations. It is in this sense that Islamic banks are similar to the universal banks operating in several European countries"

2.2 Detailed Roles of SBP 7 approved Islamic modes of finance for Economic Problems & Development of Pakistan- *Findings & Recommendations*

Name of SBP approved mode of finance	Recommendations to control poverty
1. Musharakah	Encourages partnerships with a recognized party (i.e., bank and so financial bottlenecks are less problematic for small entrepreneurs) Most of unknown profit of business will be determined accurately, and major share of profit will go to bank and finally to its depositors unlike interest based banking when only determined interest rate goes to bank and its creditors, i.e., the bank depositors.

	All this activity will help in removing the black economy and idle resources to use and shared with small savers of economy, reducing level of population below poverty line.
2. Mudaraba	Mudaraba is a very potent tool for removing interest from society by providing an interest free tool for skill utilization and especially can help in mobilizing resources of society by employing them as mudarib while bank will provide the finance and also bear the chances of profit and loss, which is absent in interest based financing for venture capital. Small traders and skill men of Pakistani villages especially agricultural

	and craftsmen can generate mass exports through it, reducing poverty.
3. Salam	Salam is very useful in reducing agricultural sector poverty easily, by enabling the banks and farmers to contract with each other of the crops and to get finance at appropriate time, instead of usurious loans, which ultimately deteriorate through compounding of interest and farmer, will not pay it easily.
4. Istisna	Istisna is useful in housing sector especially, boosting the construction demand, creating employment of factors of production and wealth to society without harmful effects of interest.
5. Murabaha	Murabaha has no direct effect upon poverty

	reduction, but indirectly it provides a good tool for an efficient deferred sale, providing business men asset of its choice and bank of its profit for effort and risk taking.
6. Ijarah	Ijarah has no direct effect upon poverty reduction.
7. Musawamah	Same as murabaha but perhaps musawama is the mode of finance which has least effect on poverty reduction as it helps in trading better without interest.

Name of SBP approved mode of finance	Recommendations to control Unemployment
1. Musharakah	Musharkah also creates jobs for many people in society, being finance based mode, promotes enterprise and partnership ventures, creating jobs in the country.

2. Mudaraba	Mudaraba has an effect on reducing the business sector unemployment, as it encourages business management by skilled people and promotes commercial activity, unemployment is reduced with it in short and long run both.
3. Salam	Salam has also a great potential in reducing rural sector unemployment and reduces trend towards urbanization as well, by enabling farmers and agriculturists, salam engages them at villages and towns, decreases unemployment burden at civic offices and factories.
4. Istisna	It has also good effects upon reducing unemployment by boosting construction and house building activities in society and

	generally any manufacturing activity using Islamic modes of finance.
5. Murabaha	Murabaha has a little effect over reducing unemployment itself.
6. Ijarah	Ijarah has a little effect on reducing unemployment.
7. Musawamah	Almost same as murabaha.

Name of SBP approved mode of finance	Recommendations to control Illiteracy & education
1. Musharakah	No direct effect but promotes business enterprise culture in society, growth of skilled people is needed so may be helpful in growth of literacy. Moreover, financing a school or university via musharaka may be helpful for its management extending its facilities

2. Mudaraba	No direct effect.
3. Salam	Generates agricultural and rural sector development and eventually more income for these poor people, where 70 % people of Pakistan resides, enabling more of children parents to afford their education.
4. Istisna	No direct effect.
5. Murabaha	No direct effect.
6. Ijarah	No direct effect.
7. Musawamah	No direct effect.

Name of SBP approved mode of finance	Recommendations to control Inflation
1. Musharakah	Musaharakah has a potent effect on controlling inflation and spread of baseless credit, promoting joint ventures without potent investigations and research ensures business successes, not speculations in its

	success and thus speculative trading of its stocks and securities. Musharakah deposits are also on PLS basis, sharing the risk of loss in addition to profit.
2. Mudaraba	Mudaraba also helps controlling inflation by promoting interest free business activities. Interest and credit creation of banks by lending are the major source of inflation in society. Mudaraba puts a great check on it by involving bank or other capitalist engaged in profit and loss both, not earning predetermined interest exploiting the needs of business or management of firm.
3. Salam	Salam has a great effect on reducing inflation in Pakistan like country, where

	food stuff has reached its peak prices, the main way it cuts inflation is through ensuring increased aggregate supply and reduced food products deterioration by use of pesticide and fertilizers at appropriate times, boosting the yield of land and farms to much extent.
4. Istisna	Istisna has a little effect on inflation control.
5. Murabaha	Murabaha has also good effect on reducing inflation, as it involves use of agency contract with proposed borrower who can buy goods of its demnd, at discounted or lowest possible price for its proposed lender as agent, it ensures that lowest prices are used in contract, no need of borrowed interest based loans for borrower, and so

	inflation will reduce.
6. Ijarah	Ijarah has also great potential for protecting against inflationary harms to middle class people and entrepreneurs as well, by allowing the use of asset without sudden cash outflows, it enables them to modify, or replace even after some months or years, their equipment or machinery without much cash flow swings. But ijarah like ordinary lease, can sometimes leads to inflation itself if economy is working at full employment level, then boosting demand of goods further increases its prices in market.
7. Musawamah	Muswamah ensures a good method for inflation reduction as it is a interest free tool, but to hamper inflation murabaha is better, because the

buyer would know cost as well in murabaha

2.3 Possible Role of IDB in Economic Development

The institution was established with idea *of "to establish an international financial institution to foster the economic development and social progress of member countries and Muslim communities in non-member countries in accordance with the principles of Shariah"* during the first conference of the Finance Ministers of OIC member countries that convened in Jeddah in 1973.[11]

IDB finances projects in both public and private sectors in member countries. It invests in economic and social infrastructure projects, provides technical assistance to member countries and assists in the promotion of trade among member countries, especially capital goods. The IDB also assists Muslim communities in non-member countries and undertakes Shariah-based research studies in Islamic economics and Islamic banking.

While searching for information, I found that IDB has various entities namely:

1. Islamic Banks Portfolio
2. IDB Unit Investment Fund

[11] Reproduced from: *Islamic development Bank and its role in financing projects* a paper by Dr. Muhammad Ali at IEP-SAC Annual seminar in Saudi Arabia on 24/11/2000.

3. IDB Infrastructure Fund
4. Islamic Corporation for Insurance of Investment and Export Credit
5. Islamic Corporation for the Development of Private Sector
6. & project financing as well.

But, I personally think that for Pakistan like developing country IDB Infrastructure Fund suits the most, but ironically not "exposed" much in this country. As, this Fund's strategic objectives are to seek long-term capital appreciation (by making equity and equity-related investments in infrastructure projects and infrastructure-related industries in IDB member countries) and to promote the use of Islamic finance in infrastructure projects. This Fund is under establishment in the State of Bahrain, where the government has agreed to grant it special status as a limited partnership. The sectoral focus of the Fund is in power, telecommunications, transportation, water, sanitation and natural resources development; the need of which is still felt by most of nationals of Pakistan especially in rural sector, where religion has also a dominant role in boosting morale and economic livings of people. After October 2005 earthquake, a huge infrastructure gap is created in northern

areas of Pakistan[12] estimated minimum of billions of US dollars, where Islamic modes of finance can be used for developmental activities, & thus settling a good healthy role of development via Islamic banks for the world.

2.4 Practical flaws in Pakistani market identified

While searching & ultimately producing some sort of authentic information, I have to conduct interviews with some practicing bankers of Pakistan as well.

So, I chose for my interviews Mufti Dr. Muhammad Ifthikhar Baig, Sharia Advisor Islamic Banking PRIME COMMERCIAL BANK LTD (now merged with ABN AMRO Bank Ltd.) on theme of "Islamic modes of finance in Pakistani banking scenario today and economic developmental role of Islamic banks in Pakistan", Mr. Usman Ali Alvi, Branch Manager Dubai Islamic Bank Ltd on " Marketing of Islamic banking products and services" & Mr. Saqib Ali Hashmi, Relationship Manager Home Finance, ISLAMIC

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[12] See: Foundation layed for new balakot at http://www.pakquake.com/foundation-layed-for-new-balakot.html ."We can imagine from one of example in Balakot, a northern town, which suffered the most severe damage in the Oct. 8, 2005, earthquake that killed 73,000 people in Pakistan. Rather then rebuilding it on two fault lines, authorities are moving the town to a site 22 km (15 miles) away.

BANKING,BANK ALFALAH on " Basic deference between conventional banking & Islamic banking".

While focusing on paper's theme relating to economic development, I found following notable points:

1) Although Islamic banking has not made a big impact, but they are an important tool for controlling inflation and deflation still today, as even murabaha or other small financing tools reduce the spread of credit than interest based banking and thus controlling inflation. Moreover, if musharaka and murabaha are applied fully, then major portion of businesses profit goes to bank depositors as well, and help in reducing income discrimination in society.
2) Just saying modaraba and musharaka are not implemented is wrong, as it is implemented over large scale on liability side. But, as investment tools, they are not much used and until they are not utilized, no major impact can occur in economy via Islamic banking. There are certain causes for this are:
   a) Entrepreneurs and business owners don't want to share their profits with banks.
   b) Second, there is problem in taxation laws as well, as capitalists don't want to pay full tax as they don't show full profit to revenue departments, so they donot want

to enter into musharaka, as in that case that would be forced to show their "real" profit.

c) There is lack of honesty in society, people sometime show themselves in default to borrow more, show them in losses, and enjoy unfair tax and borrowing advantages.

3) There is no difference of opinion among various fiqhs of Pakistan over Islamic economic system and Islamic banking, so no disparity at least on theoretical level & practical application in country of various sects of Islam.

Conclusion:

After seeing, the meaning of Development from Islamic point of view briefly and also from western angle, we can say that Islamic banking is a value proposition which can transcends cultures[13], not for just Muslim countries, as it has never been implemented in Muslim countries in full meaning and with commitment in modern times. It is not an

[13] This viewpoint I got from a Christian writer Joseph divanna in is book *Understanding Islamic banking* that Islamic banking should be driven towards a vale proposition which will survive and progress within framework of every culture and society across the globe.

obstacle but a door to development of humanity, which according to western myopic viewpoint has been limited to just materialistic development and spiritual or moral development has been neglected, causing the failed experiment of economic "growth" but poverty, inequality, ignorance, and ethnicity in LDCs while disintegration of family, materialistic lust and disorders, declined moral values in DCs. Islamic banks can play a great role in Pakistan of today, by acting on few recommendations provided above and acting truly as Islamic banks not merely banks with word "Islamic" attached to them.

List of Global Islamic financial Institutions[14]:

	Albania

[14] Reproduced from http://www.islamic-banking.com/ibanking/ifi_list.php

	Arab Albanian Islamic Bank, Tirana
	Algeria
	Banque Albaraka D'Algerie, Algiers
	Australia
	MCCA (Muslim Community Co-operative, Australia) **MCCU (Muslim Community Credit Union)**
	Bahamas
	Akida Islamic Bank International Ltd **Bank Al Taqwa Ltd** **Dar al Mal al Islami Trust, Nassau** **Islamic Investment Company of the Gulf Ltd, Nassau.** **Istishara Consulting Trust, Bahamas** **Massraf Faysal Islamic Bank & Trust, Bahamas Ltd.**

	Bahrain
	ABC Investment & Services Co EC **Al Amin Co. for Securities and Investment Funds** **Albaraka Islamic Investment Bank** **Arab Islamic Bank E.C** **Bahrain Islamic Bank Bsc.** **Bahrain Islamic Investment Co. Bsc. Closed** **Bahrain Institute of Banking & Finance** **Bank Melli Iran** **Chase Manhattan Bank N.A.** **Citi Islamic Investment Bank (Citicorp)** **Dallah Albaraka (Europe) Ltd** **Dallah Albarakah (Ireland) Ltd** **Faysal Investment Bank of Bahrain** **Faysal Islamic Bank of Bahrain (Massraf Faisal Al Islami)** **Gulf International Bank BSC**

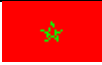
	Islamic Investment Company of the Gulf **Islamic Trading Company** **ABC Islamic Bank** **ABN Amro Bank** **Deutsche Bank Rep office** **Investors Bank** **TAIB Bank of Bahrain** **Turk Gulf Merchant Bank** **Bahrain Monetary Agency** **Shamil Bank** **Khaleej Investment Company** **First Islamic Investment Bank**
	Bangladesh
	Albaraka Bangladesh Ltd (Dallah Al Baraka Group), **Dhaka**

	Islami Bank Bangladesh Ltd, Dhaka **Faisal Islamic Bank**
	British Virgin Islands
	Ibn Khaldoun International Equity Fund Ltd
	Brunei
	Islamic Bank of Brunei Berhad **Islamic Development Bank of Brunei Berhad** **Tabung Amanah Islam Brunei**
	Canada
	Islamic Co-operative Housing Corporation Ltd, Toronto
	Cayman Islands
	Ibn Majid Emerging Marketing Fund (International

	Investor Group) **Al Tawfeek Co. for Investment Funds Ltd. Subsidiary of Albarka Group "DBG"**
	Denmark
	Faisal Finance (Denmark) A/S
	Djibouti
	Banque Albaraka Djibouti
	Egypt
	Alwatany Bank of Egypt, Cairo **Egyptian Company for Business and Trade S.A.E** **Egyptian Saudi Finance Bank (Dallah Al Baraka), Cairo** **Gulf Company for Financial Investment** **Faisal Islamic Bank of Egypt, Cairo**

	Islamic Bank International for Investment and Development, Cairo **Islamic Investment and Development Co., Cairo** **National Bank for Development, Cairo**
	France
	Algerian Saudi Leasing Holding Co. (Dallah Al Baraka Group) **Societe General** **Capital Guidance** **BNP Paribas**
	Gambia
	Arab Gambian Islamic Bank
	Germany

	Bank Sepah, Iran **Commerz Bank** **Deutsche Bank**
	Guinea
	Massraf Faisal al Islami of Guinea, Conakry **Banque Islamique de Guinee**
	India
	Al Ameen Islamic Financial & Investment Corp. (India) Ltd., Karnatka **Bank Muscat International (SOAG)** **Al-Falah Investment Ltd**
	Indonesia
	Al Barakah Islamic Investment Bank

	Bank Muamalat Indonesia, Jakarta Dar Al-Maal Al-Islami Trust PT Danareksa Fund Management, Jakarta
	Iran
	Bank Keshavarzi (Agricultural Bank), Tehran **Bank Maskan Iran (Housing Bank), Tehran** **Bank Mellat, Tehran** **Bank Melli Iran, Tehran** **Bank Saderat Iran, Tehran** **Bank Sanat Va Maadan (Bank of Industry and Mines), Tehran** **Bank Sepah, Tehran** **Bank Tejarat, Tehran**
	Iraq

	Iraqi Islamic bank for Investment and Development
	Italy
	Bank Sepah, Iran
	Ivory Coast
	International Trading Co. of Africa
	Jordan
	Jordan Islamic Bank (Subsidiary of Dallah Al Barka Group) **Jordan Islamic Bank for Finance and Investment, Amman**
	Kuwait
	Gulf Investment Corporation **The International Investment Group**

	The International Investor, Safat **Kuwait Finance House, Safat** **Kuwait Investment Co - Dar Al-IsethmarSecurities House**
	Lebanon
	Gulf International Bank, Bahrain **Al Barakah Bank** **Bank of Beirut**
	Luxembourg
	Faisal Finance (Luxembourg) S.A **Faisal Holding, Luxembourg** **Takafol S.A** **Islamic Finance House Universal Holding S.A**
	Malaysia

	Adil Islamic Growth Fund (Innosabah Securities Sdn Bhd), Labuan **Arab Malaysian Merchant Bank Berhad, Kuala Lumpur** **Bank Bumiputra Malaysia Berhad, Kuala Lumpur** **Bank Islam Malaysia Berhad, Kuala Lumpur** **Bank Kerjasama Rakyat Malaysia Berhad, Kuala Lumpur** **Dallah Al Baraka (Malaysia) Holding Sdn Bhd** **Lembaga Urusan Dan Tabung Haji (Fund), Kuala Lumpur** **Malayan Banking Berhad (Maybank), Kuala Lumpur** **Multi-Purpose Bank Berhad, Kuala Lumpur** **United Malayan Banking Corp. Berhad, Kuala Lumpur** **Bank Muamalat Berhad, Malaysia** **Securities Commission** **Labuan Offshore Financial Services Authority (LOFSA)** **Islamic banking & Takaful Dept, Bank Negara Malaysia**

	Malaysian banks with Islamic windows
	Commercial Banks: **Affin Bank Berhad** **Alliance Bank Berhad** **Arab-Malaysian Bank Berhad** **Bank Utama (Malaysia) Berhad** **Citibank Berhad** **EON Bank Berhad** **Hong Leong Bank Berhad** **HSBC Bank (M) Berhad** **Malayan Banking Berhad** **OCBC Bank (Malaysia) Berhad** **Public Bank Berhad** **RHB Bank Berhad** **Southern Bank Berhad** **Standard Chartered Bank Malaysia Berhad** **Finance Companies:**

	Alliance Finance Berhad **Arab-Malaysian Finance Berhad** **Asia Commercial Finance Berhad** **EON Finance Berhad** **Hong Leong Finance Berhad** **Kewangan Bersatu Berhad** **Mayban Finance Berhad** **MBf Finance Berhad** **Public Finance Berhad** **United Merchant Finance Berhad** **Merchant Banks:** **Alliance Merchant Finance Berhad** **Arab-Malaysian Merchant Bank Berhad** **Aseambankers Malaysia Berhad** **Malaysian International Merchant Bank Berhad** **Affin Merchant Bank Berhad** **Discount Houses:**

	Abrar Discounts Berhad **Affin Discount Berhad** **Amanah Short Deposits Berhad** **BBMB Discount House Berhad** **KAF Discounts Berhad** **Malaysia Discount Berhad** **Mayban Discount Berhad**
	Mauritania
	Banque Alabaraka Mauritaninne Islamique (Dallah Al Baraka Group), Mauritania
	Morocco
	Faisal Finance Maroc S.A **The Netherlands** **Faisal Finance (Netherlands) B.V**

	Faisal Finance (Netherlands Antilles) N.V
	Niger
	Banque Islamique Du Niger, Niamey
	Nigeria
	Habib Nigeria Bank Ltd **Ahmed Zakari & Co**
	Oman
	Bank Muscat International **Bank Saderat Iran, Muscat** **Oman Arab Bank**
	Pakistan
	Al Faysal Investment Bank Ltd, Islamabad

	Al Towfeek Investment Bank Ltd (Dallah Al Baraka Group), Lahore **Faysal Bank Ltd, Pakistan** **National Investment Trust Ltd., Karachi** **Shamil Bank** **Meezan Bank Limited** **Dubai Islamic bank** **Bankislami limited** **First dawood bank**
	Palestine
	Arab Islamic Bank **Arab Islamic International Bank (AIIB) Plc** **Cairo Amman Bank** **Palestine International Bank** **The Palestine Islamic Bank**

	Qatar
	Islamic Investment Company of the Gulf Ltd, Sharjah **Qatar International Islamic Bank, Doha** **Qatar Islamic Bank SAQ, Doha**
	Russia
	BADR Bank
	Saudi Arabia
	Albaraka Investment and Development Co., Jeddah **Al Rajhi Banking and Investment Corp., Riyadh** **Arab Leasing International Finance (ALIF) Ltd** **Faysal Islamic Bank of Bahrain E.C., Dammam** **Islamic Development Bank, Jeddah.** **National Commercial Bank Ltd, Jeddah**

	Riyad Bank **Saudi American Bank, Jeddah** **Saudi Holland Bank** **Bank Al Jazira**
	Senegal
	Banque Islamique Du Senegal
	South Africa
	Albaraka Bank Ltd, Durban (Dallah Al Baraka Group)
	Srilanka
	Amana Islamic Bank **Amana Takaful Limited**
	Sudan

	Al Baraka Al Sudani, Khartoum. (Dallah Al Baraka Group) **Al Shamal Islamic Bank** **Al Tadamon Islamic Bank, Khartoum** **Animal Resources Bank** **El Gharb Islamic Bank (Islamic Bank for Western Sudan)** **Faisal Islamic Bank of Sudan, Khartoum** **Islamic Bank of Western Sudan, Khartoum** **Islamic Co-operative Development Bank, Khartoum** **Sudanese Islamic Bank**
	Switzerland
	Cupola Asset Management SA, Geneva **Dar Al Maal Al Islami Trust, Geneva** **Faisal Finance (Switzerland) SA, Geneva** **Pan Islamic Consultancy Services Istishara SA, Geneva**

	Pictet & Cie
	Tunisia
	Beit Ettamwil al Tunisi al Saudi, Tunis (Dallah Al Baraka Group) **B.E.S.T. Re-Insurance (Dallah Al Baraka Group)**
	Turkey
	Albarakah Turkish Finance House Istanbul **Emin Sigorts A.S** **Faisal Finance Institution, Istanbul.** **Faisal Islamic Bank of Kibris Ltd, Turkey** **Ihlas Finance House** **Kuwait-Turket Evkaf Finance House** **Asya Finans Kurumu A.S**
	United Arab Emirates

	Abu Dhabi Islamic Bank **Bank Muscat International (SOAG)** **Dubai Islamic Bank, Dubai** **Gulf International Bank, Bahrain** **Islamic Investment Company of the Gulf Ltd, Abu Dhabi.** **Islamic Investment Company of the Gulf Ltd, Sharjah** **Subsidiary of Dar Al Maal Islami Trust** **National Bank of Sharjah** **HSBC, Dubai** **National Bank of Dubai**
	United Kingdom
	Albaraka International Ltd, London **Albaraka Investment Co. Ltd, London** **Al Rajhi Investment Corporation, London**

	Al Safa Investment Fund **Bank Sepah, Iran** **Dallah Al Baraka (UK) Ltd., London** **Takafol (UK) Ltd, London** **Barclays Capital** **HSBC Amanah Finance** **ABCIB Islamic Asset Management, Arab Banking Corp**
	United Kingdom banks with Islamic windows
	ABC International Bank, London **Arab Bank Plc, London** **Riyadh Bank , London** **Citibank International Plc, London** **Cedel International, London** **Dawnay Day Global Investment Ltd** **Global Islamic Finance, HSBC Investment Bank Plc**

	Gulf International Bank Bsc, Bahrain **The Halal Mutual Investment Company Plc** **IBJ International, London (Subsidiary of Industrial Bank of Japan)** **J. Aron & Co. (Goldman Sachs International Finance) Ltd., London** **Islamic Investment Banking Unit (IIBU), United Bank of Kuwait, London**
	Ireland
	Al Meezan Commodity Fund Plc, Dublin **Jersey, UK (+534)** **The Islamic Investment Company, St Helier.** **MFAI (Jersey) Limited (formerly - Massraf Faysal Al-Islami Ltd, Jersey)**
	United States of America

	Abrar Investments, Inc., Stamford CT **Al-Baraka Bancorp Inc. Chicago** **Al-Madina Realty, Inc., Englewood NJ** **Al-Manzil Islamic Financial Services** **Amana Mutual Funds Trust, State St. Bellingham WA** **Ameen Housing Co-operative, San Francisco** **American Finance House** **Bank Sepah, Iran** **BMI Finance & Investment Group, New Jersey** **Dow Jones Islamic Index Fund of the Allied Asset** **Advisors Funds** **Failaka Investments, Inc., Chicago IL** **Fuloos Incorporated, Toledo OH** **Hudson Investors Fund, Inc., Clifton NJ** **MSI Finance Corporation, Inc., Houston TX** **Samad Group, Inc., Dayton OH**

	Shared Equities Homes, Indianapolis IN **HSBC, USA** **MEF Money, USA** **Islamic Credit Union of Minnesota, (ICUM)** **United Mortgage**
	Yemen
	Islamic Bank of Yemen for Finance and Investment, Sana **Saba Islamic Bank, Sana** **Faisal Islamic Bank** **Yemen Islamic Bank, Sana** **Yemen National Investment Co., Sana**

Glossary of Islamic Terminologies[15]:

- Ahadeeth: Sayings and traditions of the Holy Prophet Muhammad (S.A.W.). Singular: Hadith.
- Ahl ar-ra'y: Means people of opinion. It refers to people that are consulted on Islamic matters. These people are highly learned in Islam.
- Ahliyah: Legal capacity.
- Ahliyat al-add': Legal capacity for execution.
- Ahliyat al-wujub: Legal capacity for the acquisition of rights and obligations.
- Ajrul Mithl: A remuneration based on what is customary in the community or Salary.
- Al-Wadi'ah: This refers to deposits in trust, in which a person may hold property in trust for another, sometimes by implication of a contract.
- Al-Wakalah al Mutlaqa: Resale of goods with a discount on the original stated cost.
- Al-Qard al-Hassan: Loans fixed for a definite period of time without interest or profit sharing.
- 'Alim: An Islamic religious scholar. Plural: Ulamaa.

[15] Islamic Financial Terminology. Retrieved December 24, 2007 from the World Wide Web: http://www.scmodaraba.com/html/terminology.htm

- Amanah: Something given to someone for safekeeping. Trust. The contract of amanah gives rise to fiduciary relationships and duties.
- Amwal: Wealth. In business context, Amwal means wealth that is contributed as capital in a partnership. Plural: mal.
- Ameen, also spelled Amin: Custodian or guardian.
- 'Arbun : down payment; a nonrefundable deposit paid by a buyer retaining a right to confirm or cancel the sale
- Arkan: The elements or essential ingredients of an act, without which the act is not legally valid.
- Aqd: A contract.
- Aqd Sahih: A legal contract.
- amanah : trust.
- 'Ayn : a tangible (physical) asset

  Bai' Bithaman Ajil (Al), also spelled as Al-Bay-Bithaman Ajil (BBA) financing: In modern Islamic banking, the term refers to a buying and selling transaction between the bank (or financial institution) and the customer, whereby the former buys a property (or an asset, e.g. a house) at the prevailing market price and sells it to the

customer at a mark-up price where payments are made by installments over a period of time agreed upon by both parties. The profit earned by the bank is legitimate from the Shari'ah point of view since the transaction is based on a sale contract rather than a loan contract. Any predetermined profit arising from the loan is prohibited in Islam as it amounts to Riba.

- Bai Mu'ajjal, also spelled as Bay Mu'ajjal: Sale based on deferred payment, either in a lump sum or instalments. A form of Murahaba.
- Bai Salam, also spelled as Bay Salam: This term refers to the advance payment for goods which are delivered later. Normally, no sale can be effected unless the goods are in existence at the time of the bargain. But this type of sale is the exception to the general rule provided the goods are defined and the date of delivery is fixed. The objects of this type of sale are mainly tangible but exclude gold or silver as these are regarded as having monetary value. Barring these, bai al-salam covers almost all things which are capable of being definitely described as to quantity, quality and workmanship. One of the conditions of this type of contract is advance payment; the parties cannot reserve their option of rescinding it but the option of revoking it on account of a defect in the subject matter is allowed. It is also applied to a mode of

financing adopted by Islamic banks. It is usually applied in the agricultural sector, where the bank advances money for various inputs to receive a share in the crop, which the bank sells in the market.

- Baitul Mal: An Islamic treasury intended for the community development as well as provision for Masakeen (needy Muslims).
- Baligh: One who has reached the age of maturity.
- Batil: Null and void.

  Dhaman : liability
- Dhaman al-'Amal: Liability underlying a partnership formed on the basis of labor, where the partner is liable for performing the contract or completing the work accepted by either partner.
- Dhaman al-Thaman: Liability underlying a partnership formed on the basis of credit-worthiness where each partner is liable, jointly and severally, for paying the price of goods bought on credit.
- Dharar : harm, damage
- Dayn: Loan or debt.

- Diminishing Musharakah: Another form of Musharakah (a financing mode), developed in recent years. According to this concept, a financier and his client participate either in the joint ownership of a property or equipment, or in a joint commercial enterprise. The share of the financier is further divided into a number of units and it is understood that the client will purchase the units of the share of the financier one by one periodically, thus increasing his own share until all the units of the financier are purchased by him so as to make him the sole owner of the property, or the commercial enterprise, as the case may be.

  Fadl (Riba): A type of interest. Taking something of superior quality in exchange for the same kind of thing of poorer quality. Allah Subhana wa Ta'ala has strictly prohibited any kind of Riba and has warned of severe punishment for those who have any association with it. See the Holy Qur' an, Surah Al-Baqara (2):275-280
- Fa'idah: Benefit. In investment context it means return on investment.
- Falas: Bankrupt
- Faqeeh: An Islamic scholar who can give an authoritative legal opinion or judgement.
- Faqir: A poor person.
- Fard: Obligatory. An act which is obligatory on Muslims.

- Fard 'Ain: An action which is obligatory on every Muslim.
- Fatwa: A legal verdict given on a religious basis. The sources on which a fatwa is based are the Holy Qur'an, Sahih Bukhari and Muslim, and all other authenticated Ahadeeth. Plural: Fatawa.
- Fidyah: Compensation for missing or wrongly practising necessary acts of worship. Fidyah usually takes the form of donating money or foodstuff, or sacrificing an animal.
- Fiqh: Islamic jurisprudence.
- Fuqahaa: Jurists.

  Gharar: Uncertainty, hazard, chance or risk, ambiguity and uncertainty in transactions. Technically, the sale of something which is not present at hand; or the sale of something where the consequences or outcome is not known. It can also be a sale involving risk or hazard in which one does not know whether it will come about or not, such as fish in water or a bird in the air; or an event where assurance or non-assurance is subject to chance and thus not known to parties of a transaction. Can also mean uncertainty or a hazard that is likely to lead to a dispute in a contract.

- Gharim: A person in debt.

  Halal: An act or product that is permitted by Islam.
- Hadith: A saying or tradition of the Prophet Muhammad (S.A.W.). Plural: Ahadeeth.
- Hadith-Qudsi: A saying of Allah Ta'ala narrated by Prophet Muhammad (S.A.W.), that is not a part of the Holy Qur'an.
- Halal : permissible, lawful
- Haram: An act or product which is unlawful or prohibited in Islam.
- Hawala : contract of assignment of debt
- Haq: Legal right.
- Hijri: Name of the Islamic lunar calendar. It took its name from the early Muslims who migrated from Mekkah to Madinah, and commences from the date of the Prophet Muhammad's (S.A.W.) Hijra, which he made with Abu Bakr as-Siddiq (A.S.), in 622AC. Often abbreviated to A.H. (After Hijra).
- Hudud: The boundary between what is Halal (lawful) and what is Haram (unlawful), set by Allah.
- Hukum: The closest equivalent in the English language is "verdict". It usually applies to a judgement on legal issues, especially with regard to religious matters.

- Huquq: Plural of haq.

- Ijarah, also spelled ijara: Literally means "to give something on rent".
- Ijarah wa iqtina: Contract of renting, hiring or leasing. This term refers to a mode of financing adopted by Islamic banks. It is a contract under which the Islamic bank finances equipment, a building or other facility for the client against an agreed rental together with an undertaking from the client to purchase the equipment or the facility. The rental as well as the purchase price is fixed in such a manner that the bank gets back its principal sum along with some profit, which is usually determined in advance.
- 'Ijma: Consensus. What all the Ulama (people of religious knowledge) from among the Muslims agree upon.
- Ijtihad: Technically, it means an endeavour of a jurist to derive or formulate a rule of law on the basis of evidence found in sources; scholarly effort through which a jurist/scholar derives Islamic law on the basis of the Qur'an and Sunnah.
- Ishtirak: Equivocally; participation; partnership.

- Istidanah: Raising or building up credit through credit purchases. It however does not apply to the raising of cash loans.
- Istisna': This is a kind of sale, where a commodity is transacted before it comes into existence. It means to order a manufacturer to manufacture a specific commodity for the purchaser. If the manufacturer undertakes to manufacture the goods for him with material from the manufacturer, the transaction of Istisna' comes into existence. But it is necessary for the validity of Istisna' that the price is fixed with the consent of the parties and that necessary specification of the commodity (intended to be manufactured) is fully settled between them. This kind of sale, used as a mode of financing, is also called 'Parallel Istisna'.
- Iwad: Compensation or counter-value.

- Ja'alah : a unilateral contract promising a reward for a specific act or accomplishment
- Jahalah: Uncertainty in a contract that may lead to a later dispute; see gharar.
- Jo'alah, also spelled Joaalah: The undertaking of one party (the Jael, bank or employer) to pay a specified amount of money to another party in return for rendering a specified service in accordance with the terms of contract.

- Jizya: A tax imposed on non-Muslims who are in a Muslim country.

  Kafalah bi al-Thaman: Surety for paying the price or sum if unpaid by the person originally liable.
- Kafil: A person providing surety or a guarantor.
- Kharaj: Tax imposed on the revenue from land taken from non-muslims to ensure their equal rights under Islamic law.

  Maiser: Gambling. Literally means getting something too easily.
- Makrooh: Disapproved of, but not prohibited by Allah Subhana wa Ta'ala.
- Manfa'ah : usufruct. Sale of usufruct is ijarah
- Morabaha: Sale at a special profit margin. The seller purchases the goods desired by the buyer and sells them at an agreed mark-up price. The payment being settled within an agreed time frame, either in instalments or lump sum. The seller undertakes all management needed for the purchase and also bears the risk for the goods until they have been delivered to the buyer.
- Mubah: Things or acts permissible in Islamic law.
- Mufawadah: A basic contract of partnership based on wakalah and kafalah. It requires full commitment from the partners. In order to achieve this purpose, the

partners must try to maintain equality in the capital, labor, liability and the legal capacity and also declare each partner to be a surety for the other.

- Modaraba: An agreement between two or more persons whereby one or more of them provide finance, while the other(s) provide enterpreneurship and management to carry on any business venture whether trade, industry or service with the objective of earning profits. The profit is shared in an agreed proportion. The loss is borne by the financiers only in proportion to their share in the total capital.
- Mudarib: The partner who provides entrepreneurship and management in a Mudharabah agreement.
- Mufti: One who passes verdicts.
- Muhaddith: A scholar of Ahadeeth. Plural: Muhaditheen.
- Muhadhitheen: Scholars of Ahadeeth (sayings and traditions of the Holy Prophet Muhammad, may Allah bless him and grant him peace). Singular: Muhadith. Muhammad Believed by Muslims to be the Final Messenger of Allah Subhana wa Ta'ala to Ins wal Jinn (mankind and the Jinn).
- Muqaradah: Another name for Modraba.
- Musaddiq: The person discharging voluntary charity.

- Musharika: A temporary equity participation agreement between a bank and a client for effecting a certain operation within an agreed period of time. Both parties contribute to the capital of the operation in varying degree and agree to divide the net profits or losses in proportions agreed upon in advance.
- Mustahab: Recommended, but not obligatory.

- Nis'a (Riba al): A type of interest. Taking interest on loaned money. An act which is Haram. See the Holy Qur'an, Al-Baqara (2):275-280 and Aali'imran(3):13O.
- Nisab: A threshold of wealth of which any excess is subject to Zakah.

  Qabz : possession
- Qarz: A loan given for a good cause in the name of Allah, in hopes of repayment or reward in the Hereafter.
- Qarz al Hassan: A loan extended without interest or profit-sharing.
- Quadaa: Paying in a debt.

  Ra's al-mal: Capital invested in Mudarabah or Musharakah.
- Rabb al-ard: Owner of the land in Musaqah or Musaqat and Muzara'ah contracts.
- Rabb al-mal: A person who invests in Mudarabah or Musharakah.

- Rahn: Pledge or mortgage.
- Riba: Increase, addition, expansion or growth. However, not every increase or growth is prohibited by Islam. Under the Shari'ah, Riba technically refers to the premium that must be paid without any consideration. According to the jurists of Islam, this definition covers the two types of Riba, namely Riba Al Fadhl and Riba Al Nasi'ah.
- Example 1 of Riba: If A sells $100 to B with $110. The premium of $10 is without any consideration or compensation. Therefore, this amount of $10 will be Riba.
- Example 2 of Riba: If A lends $100 to B (a borrower) with a condition that B shall return him $110 after one month. In this case, the premium paid that must be paid by the borrower to the lender along with the price is Riba because the premium of $10 is without any consideration.
- Riba aI-Fadhl: An extension of Riba to trade because while trade is allowed, not everything in trade is permissible. The prohibition of Ribaal-fadl closes all back doors to Riba through trade; unlawful excess in the exchange of two counter-values, where the excess is measurable through weight or measure. According to some Ahadith, (Sayings of the Holy Prophet) if six things i.e. gold, silver, wheat, barley, dates and salt are exchanged against themselves, they should be spot and be equal

and been specified. If these conditions are not found, this transaction will become Riba Al Fadhl.

- Riba al-Nasi'ah: It refers to the 'premium' that must be paid by the borrower to the lender along with the principal amount as a condition for the loan or an extension in its maturity. It is thus equivalent to interest. The 'addition' of the 'premium' which is paid to the lender in return for his waiting as a condition for the loan and is technically the same as interest.
- Rukn: Pillar. Singular of Arkan.
  Salam : sale with deferred delivery of exchanged good but with advanced price payment
- Sarf : currency exchange
- Sahib al-Mal: The financier in the modaraba form of partnership agreement. Plural of Ashab al-mal. The sahib al-mal (also, rabb al-mal) provides the finance while the mudarib provides the entrepreneurship and management. There can be many ashab al-mal and mudaribs in a given muddrabah agreement.
- Shari'ah: Islamic law as ordained by Allah Ta'ala. Literally it means 'a road'. The Shari'ah is the legal and social modality of a people based on the revelation of their

prophet. The last Shari'ah in history is that of Islam. It abrogates all previous Shari'ahs. It is, being the last, therefore the easiest to follow, for it is applicable to the whole human race wherever they are.

- Sharikah: The term is used for joint-stock companies and corporations as well, but is qualified with an adjective to indicate its nature. Thus, sharikah musahamah for a public limited company or a corporation whose capital has been subscribed to by the general public.
- Sharikat al-Wujuh: Partnership based on credit-worthiness of the partners in which the ratio of profit and loss is based on the liability borne, but the partnership has to be of the type 'inan or mufawadah.
- Sharikat 'ammah: A partnership in which each partner is a general attorney for the other partner; a partnership that permits trading in all types of goods.
- Sharikat khassah: Partnership for a single venture or for trading in a particular item; partnership in which each partner is a special attorney of the other partner.
- Sharikat al- 'inan: A basic contract of partnership based on agency in which participation may either be on the basis of wealth or labor or credit-worthiness, and in which, equality of contribution or legal capacity is not necessary.

- Sharikat al-abdan: Another name for sharikat al-a'mal.
- Sharikat al-amwal: A partnership in which participation is based on the contribution of wealth by all partners, but the partnership has to be of the type 'indn or mufdwadah.
- Sharikat al-jabr: Mandatory co-ownership created by an act of law, like inheritance.
- Sharikat al-mafalis: A partnership between persons, whose assets have been reduced to copper coins and who have to buy on the basis of credit-worthiness; see sharikat al-wujuh.
- Sharikat al-zimam: It is a term used by the Maliki school of thought to indicate a situation, where two or more persons are buying goods on credit. It is different from the Hanafi sharikat al-wujuh insofar as it requires the physical presence of all the partners at the time of purchase.
- Shirikat al- 'aqd: A partnership created through contract as opposed to co-ownership that may be the result of a joint purchase or agreement or it may result from inheritance or from some other legal situation.

- Shirkah: Partnership between two or more persons, whereby unlike mudarabah, all of them have a share in finance as well as entrepreneurship and management, though not necessarily equally.
- Shurut: Terms and conditions in Islamic law.
- Shukuk: Check, certificate of debt, certificates of investment; plural of Shak
- Sunnah: All the traditions and practices of Prophet Muhammad (S.A.W.), that are recorded not only in such books as Sahih Bukhari and Sahih Muslim, but also in living people to whom these traditions and practices have been transmitted, from person to person, from then until now

- Takaful: Islamic Insurance. A scheme of mutual support that provides insurance to individuals against hazards of falling into unexpected and dire need.
- Tameen: Another name for Takaful.
- Thimma (zimma) : the capacity to accept obligations and duties.
- Tijaarah: Trade. Act of buying and selling.

  Ulamaa: Plural of 'Alim. The people of knowledge from amongst the Muslims who act on what they know and do what they say.

- Ushr: Ten percent (in some cases five percent) of the agricultural produce payable by a Muslim as part of his religious obligation, like zakah, mainly for the benefit of the poor and the needy.
- Wajib: Compulsory.
- Wadi-ah: Deposit.
- Wakalah : agency.
- Waqf: Endowment. A charitable trust in the name of Allah, usually in perpetuity, and usually for the purposes of establishing the Deen of Islam, teaching useful knowledge, feeding the poor or treating the sick.

  Zakah Al-Mal: The Muslims' wealth tax: One must pay 2.5% of one's yearly savings above a certain amount to the poor and needy Muslims. The Zakah is compulsory on all Muslims who have saved (at least) the equivalent of 85g of 24 carat gold at the time when the annual Zakah payment is due.
- Zakatu-rid Tijaarah: Zakah of profits of merchandise.
- Zakatul Huboob: Zakah of grain/corn.
- Zakatul Ma'dan: Zakah of minerals.
- Zakatur Rikaaz: Zakah of treasure/precious stones.

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